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IN THE

Supreme Court of the United States

October Term, 1962
No. 1005

JOHN M. SHUBIN and PETER S. SHUBIN,
Petitioners,

vs.

THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION,
Respondent,

THE HONORABLE WILLIAM M. BYRNE, Judge of the United States District Court, for the Southern District of California, Central Division,
Respondent,

and

S. VINCEN BOWLES, INC.
Respondent.

Opposition by Respondent S. Vincen Bowles, Inc. to the Granting of a Second Writ of Certiorari Herein.

S. Vincen Bowles, Inc. respectfully prays that this Honorable Court deny petitioners' petition for a writ of certiorari to review the order of January 31, 1963, of the United States Court of Appeals for the Ninth Circuit, entered after remand by this Honorable Court.

The Prior Opinions.

The prior *written* opinions are correctly referenced in petitioners' current brief, and further reference is unnecessary here. It should be added, however, that the respondent trial judge gave an extensive oral opinion from the bench at the conclusion of the hearing on the motion to strike the jury demand. Reference to the trial judge's oral opinion is included in the December 29, 1961 opinion of the Court of Appeals [R. p. 90].

Also, to complete the record, the citation of the second decision and order of the Court of Appeals, review of which is sought here, is

313 F. 2d 250 (9th Cir. 1963).

Jurisdiction.

The basis of jurisdiction here is correctly set forth in petitioners' brief.

The Questions Presented.

We believe that the ten alleged "questions" set forth in petitioners' brief are neither factually correct nor, in any respect, helpful to this Honorable Court, and accordingly we set forth our view of the questions presented, as follows.

1. Where a manufacturer is threatened with an action for infringement of a patent, if he proceeds with *proposed* manufacture and sale of a specified device and, to relieve himself of such threat, brings a declaratory judgment action seeking a judicial determination that the patent is invalid or that the specified device would not infringe, or both, does such action

present a "legal claim" and thus amount to a "suit at common law" requiring a jury trial under the Seventh Amendment of the Constitution of the United States?

2. Where, in the above circumstances, the defendant patent owner counterclaims alleging infringement and threatened infringement, and seeking injunctive relief and an accounting, but *no money damages*, and subsequently admits on the record that *no infringement has as yet taken place*, does the counterclaim present a "legal claim" requiring a Constitutional jury trial?

3. Under the rule and rationale of the decision of this Honorable Court in *Dairy Queen, Inc. v. Wood*, 369 U. S. 469 (1962), does the mere presence in a counterclaim of a formal prayer for an accounting create a "legal issue" requiring a Constitutional jury trial, even where it is subsequently conceded by the counterclaimant that no infringement has occurred, there are no damages, and that such accounting is "unnecessary"?

We submit that all of the above questions should be answered in the negative.

Constitutional Provisions, Statutes, and Rules Involved.

The following Constitutional Provisions, Statutes, and Rules are involved.

United States Constitution, Seventh Amendment;

United States Code, Title 28, Section 2072 (1952);

Federal Rules of Civil Procedures, Rules 38 and 39.

Statement of the Case.

John and Peter Shubin (hereinafter referred to as Shubins), petitioners here and defendants-counterclaimants in the trial court, are the owners of United States Letters Patent No. 2,961,105, disclosing and claiming a trash truck and loading mechanism. Respondent S. Vincen Bowles, Inc. (hereinafter referred to as Bowles), prior to the issue of the Shubins patent, manufactured and sold trash trucks of a design and construction which the Shubins allege would infringe the patent. As will appear below, however, no such trucks were made, used or sold by Bowles after the Shubin patent issued.

Shortly after their patent issued, the Shubins charged Bowles with infringement, and threatened an action for patent infringement if Bowles were thereafter to manufacture or sell any of the accused trucks.

Bowles sought relief from this threat by filing a declaratory relief action [R. pp. 28-36] in which it alleged (1) the threat of action under the Shubin patent, (2) that it had not infringed and did not threaten to, and (3) that the patent was invalid. Bowles' complaint prayed for a declaration that the patent was not infringed, and was invalid.

The Shubins filed a counterclaim [R. pp. 37-39] in which they alleged that their patent had been infringed by Bowles, and that Bowles threatened to continue to infringe, and prayed for an injunction, an accounting, and for an award of such sum as might be shown by the accounting. No amount of damages was specified, and there was no prayer for damages in any amount.

Extensive discovery ensued, during which it became apparent to the Shubins that none of the accused trucks had been manufactured or sold since the patent issued.

Bowles moved to strike the demand for a jury trial on alternate grounds, *i.e.*, (1) that the issues were purely equitable, or (2) that any "legal" relief sought was merely incidental to equitable relief.

The Shubins, in an attempt to preserve their alleged right to a jury trial, sought by motion to amend their counterclaim [R. pp. 61-62] to allege damages in the amount of $5000, and to add a prayer for damages in that amount [R. p. 63]. At the same time, in order to strip the counterclaim of all indicia of an equity action, *the Shubins admitted that there had been no infringement of their patent,* and sought by amendment to delete the prayer for an accounting from the counterclaim, arguing that it was, in the circumstances, "unnecessary". The Shubins made no attempt to reconcile their claim for $5000 damages for infringement with the *admitted fact that no infringement had taken place.*

The respondent trial court, obviously recognizing the "sham" character of the proposed amended counterclaim, denied the Shubins' motion to amend, granted Bowles' motion to strike the demand for a jury trial, and ordered the case set down for a non-jury trial.

The Shubins sought a reversal of the above orders by mandamus from the Court of Appeals for the Ninth Circuit. Mandamus was denied [R. pp. 89-91], and a petition for a writ of certiorari was granted by

this Honorable Court, and the case remanded "for consideration in light of Dairy Queen, Inc. v. Wood".

The Court of Appeals, upon remand, again reviewed the matter in detail in the light of this Honorable Court's opinion in *Dairy Queen*, and reaffirmed its prior ruling denying mandamus [R. pp. 173-176]. This last ruling is now the subject of the present petition.

Summary of Respondent's Argument.

1. The Court of Appeals scrupulously followed the Mandate of this Court, and correctly applied the rule and rationale of *Dairy Queen, Inc. v. Wood*, 369 U. S. 469 (1962).

2. Assuming, *arguendo*, that in this case validity of the patent involves a question of fact, this does not *per se* create a "legal claim" requiring a trial by jury under the Constitution.

3. There is, and can be no adequate remedy at law for the claims in issue here, or any of them, and thus the action is one cognizable in equity only.

ARGUMENT.

1. The Court of Appeals Scrupulously Followed the Mandate of This Honorable Court, and Correctly Applied the Rule and Rationale of Dairy Queen, Inc. v. Wood.

Although the present petition seeks to reargue many matters raised in Shubins' prior petitions here and in the Court of Appeals, the present issue may be resolved on much narrower ground.

This Honorable Court remanded this case solely and expressly "for consideration in light of Dairy Queen, v. Wood" [R. p. 121]. Thus, if the Court of Appeals has properly considered and applied the principles enunciated in *Dairy Queen*, this petition should be denied. All other questions are, we submit, moot.

For purposes of comparison, we set forth briefly our understanding of the controlling facts of *Dairy Queen, Inc. v. Wood.* That controversy arose out of (1) defendant's breach of a written trademark licensing agreement (set out in detail in the pleadings) by failure to pay the agreed amount for use of the trademark, (2) plaintiff's cancellation of the contract for such breach, and (3) defendant's infringement by continuing to use the trademark after such cancellation. The complaint prayed for various types of injunctive relief, for an accounting to determine the exact amount of money owing by the defendant, and a judgment for that amount.

The opinion of this Honorable Court in *Dairy Queen*, as we understand it, and as it was apparently understood by the Court of Appeals, dealt with two basic questions, *i.e.*, (1) whether a Constitutional jury trial

may be avoided on the grounds that a claim for a money judgment is "incidental" to equitable claims and thus no "legal issue" is presented, and (2) whether a Constitutional jury trial may be avoided by casting a claim for money in terms of an "accounting". This Honorable Court decided both those questions in the negative.

Turning to the facts of the present case, and *looking only at the form* of the pleadings, it is seen that the allegations of infringement in the counterclaim [R. p. 38] and the prayer for an accounting [R. p. 39] indicate that the circumstances of *Dairy Queen might* be involved, and part of the issue, at least, might be tantamount to an "action at law", as that term is used in the Seventh Amendment. In view of this apparent possible similarity to *Dairy Queen*, the Court of Appeals carefully examined not only the *form* of the pleadings, but the *substance*. When so viewed, it became clear that the rule of *Dairy Queen* is not applicable here, and that this is, in no sense, an "action at law". The Court of Appeals said:

> "Is this declaratory relief action, with its compulsory counterclaim, an action at law? If we examine the pleadings before us alone, they indicate that there *could* exist an issue at law, i.e., damage for infringement. No amount of damage is specified. There is no prayer for damages in any amount. We note, however, looking at substance and not form, that the petitioners herein have repeatedly represented to us on this appeal, and to the court below at the pre-trial hearings, and have stipulated to the fact, that no infringe-

ment has taken place. Hence there exists no possibility that damages could be awarded, or that an accounting could become necessary or possible. There is left only an 'equitable cause' before the court below." [R. p. 174].

Petitioners' representations and admissions that *no infringement has taken place and no damages have accrued* are repeated in its current brief before this Honorable Court. See, *e.g.*, pages 22, 31 and 32.

In short, the pleadings here present only the form but not the substance of a possible legal claim. The *only* claims actually in issue are purely equitable in nature.

2. Assuming, Arguendo, That in This Case Validity of the Patent Involves a Question of Fact, This Does Not, Per Se, Create a "Legal Claim" Requiring a Trial by Jury Under the Constitution.

The main thrust of petitioners' argument is the erroneous assertion that the issues of validity and infringement involve fact questions, and are thus, *ipso facto*, "jury issues". Therefore, it is argued, since such issues are involved here, they must, upon demand, be tried to a jury.

Petitioners have attempted to document the foregoing argument by a host of citations, all of which go merely to the question of whether validity and infringement are questions of fact or questions of law. None of the cases cited suggests that questions of fact must *always* be determined by a jury.

On the contrary, it is clear from the cases cited that, in actions "at law" for infringement (*i.e.*, where

money damages are sought), the factual questions involved are determined by a jury, while in suits "in equity" (*e.g.*, where only injunctive relief is sought), the *same* factual questions are properly determined by the court without a jury.

Of particular pertinence on this point is the case of *Poppenhusen v. Falke*, 19 Fed. Cas. 1048 (No. 11,279) (C. C. N. Y. 1861), wherein the holding was exactly opposite to that alleged by petitioners on page 26 of their brief.

This was a suit in equity, and in particular a decision on a motion for a preliminary injunction to restrain infringement of patents. One of the patents was a reissue and there had been prior actions at law on one of the patents and the *original* of the reissue.

One of the defenses to the motion for a preliminary injunction was that the reissue patent was for a different invention and was not infringed. It was also argued that such question (the difference between the original and reissue patents) must be determined by a jury *because it involved a question of fact.*

The court rejected the last-mentioned contention and determined the fact issues without a jury. In its opinion, the court said:

> "It is undoubtedly true that the inquiry, whether the reissued patent is for the same invention as the original, involves a question of fact. And *if this were a jury trial*, that fact would have

to be disposed of by the jury. The cases of Battin v. Taggert, 17 How. [58 U. S.] 74, and Carver v. Braintree Manuf'g. Co. [Case No. 2,485], cited in support of the claim that this fact in the case now before us should be submitted to the jury, *do not, I think, sustain that claim. Those were actions at law*, and tried, of course, to the jury. All the controverted facts in each case must or should have been submitted to the jury. ***But the power or duty of courts of equity to pass upon this, or any other facts that may be put in issue by a bill and answer, is not touched by these cases.***" (Emphasis added.)

19 Fed. Cas. 1048, 1050.

Neither, may we add, is this "power or duty of courts of equity" touched upon in any of the cases cited by petitioner here.

The court did not undertake to decide the question of infringement at the time of the motion for a preliminary injunction, but reserved that question for a full submission of proofs. The decision on the motion does include, however, this comment concerning the question of infringement:

> "This question I will not now determine; *nor do I think it necessary to send it to a jury.*" (Emphasis added.)

19 Fed. Cas. 1048, 1050.

For the results of the final hearing of *Poppenhusen v. Falke, supra*, see 19 Fed. Cas. 1052 (No. 11,280), where the court found all facts without a jury, and granted a permanent injunction.

A more recent case which states the above principle is *Pacific Indemnity Co. v. McDonald et al.*, 107 F. 2d 446 (9th Cir. 1939). There the court said:

> ". . . it is clear we think that issues of fact are neither legal nor equitable but that their disposition by the court or jury, as the case may be, depends upon the setting in which the issues are framed. If the issues are raised in an action at law the right to a jury trial obtains and if raised in an action in equity it may be determined by the court without a jury, . . ."
>
> 107 F. 2d 446, 448

In conclusion on this point, we submit that the inquiry whether validity or infringement involve questions of fact is entirely beside the point, and sheds no light whatsoever on the question of whether this is an "action at law" or a "suit in equity". In either case, questions of fact will obviously be involved and determined—in the one case by a jury since one is demanded; in the other case by the court without a jury.

So much and no more is demonstrated by the many cases cited by petitioners.

Therefore, we submit, the Court of Appeals correctly disposed of petitioners' "question of fact" argument when it said:

> "An equitable claim may involve a legal issue of fact or *may turn on a question of fact. The existence of an issue of fact does not per se create a 'legal claim'.*" (Emphasis added.) [R. p. 174].

3. There Is, and Can Be No Adequate Remedy at Law for the Claims in Issue Here or Any of Them, and Thus the Action Is One Cognizable in Equity Only.

Dairy Queen, Inc. v. Wood reaffirms the well-established rule that equity acts where the remedy at law is inadequate. In *Dairy Queen*, the facts were such as to provide an adequate remedy at law—here they are not. Thus respondent's only remedy is in equity. That this principle is directly applicable here is noted by the Court of Appeals as follows:

> "But the facts of this case are not those of *Dairy Queen*, as we have pointed out. 'The necessary prerequisite to the right to maintain a suit for . . . all . . . *equitable remedies, is . . . the absence of an adequate remedy at law . . .*,' states *Dairy Queen*, p. 478 (emphasis supplied). Here there can be no adequate remedy at law." [R. p. 176].

Clearly, there is no legal remedy—adequate or otherwise—for *any* claim now at issue in this case. As the Court of Appeals noted:

> "The only issue under the existing pleadings, admissions and stipulations is whether defendants are entitled to protection against the threatened infringement of their patent. The defendants [petitioners here] seek only a permanent injunction against *threatened* infringement. This is not a legal issue." (Emphasis in original.) [R. p. 174].

In the concurrent opinion in *Dairy Queen,* the above-discussed principle is expressed in these words:

> "To render this aspect of the complaint truly 'equitable' it must appear that *the substantive claim is one cognizable only in equity* . . ." (Emphasis added.)
>
> 369 U. S. 469, 480

This prerequisite, *i.e.*, lack of adequate legal remedy, certainly exists in this case, whether the case be viewed from the standpoint of plaintiff or defendant.

Bowles is threatened with suit for infringement of what it alleges is an invalid patent, *if, in the future,* it manufactures a specified device. This is a classic situation calling for equitable relief from the threat of suit, and for which no common law remedy whatsoever exists, adequate or otherwise.

Conversely, Shubins clearly and unequivocally admit, indeed strenuously urge upon the Court, the fact that there has been *no* manufacture or sale since the patent issued, and that, therefore, there has been, as yet, no infringement, and there is "nothing to account for". Obviously, since there is nothing to account for, there is no possible basis for a judgment for damages. The only other pleaded counterclaim involves Bowles' alleged *threat* to infringe (see Paragraph IV of Counterclaim) [R. p. 38]. Clearly, there is no common law action or remedy for *that.* It is a type of threat traditionally calling for the equitable remedy of injunction.

Shubins' recognition of the absence of legal remedy is epitomized in its allegation, in the classic language

of chancery, that it is threatened with "irreparable injury . . . unless said infringement is enjoined" (Paragraph V of Counterclaim) [R. p. 38].

Shubins, through their counsel, opposing the motion to strike the demand for a jury, stated the *only* present issue in the clearest possible terms, as follows:

> "It has developed that the plaintiff *is not infringing* and *has not since the patent issued* and accordingly the *only questions* present are the validity of the patent and the question of *whether the plaintiff will infringe by renewed manufacture.*" (Emphasis added.)
>
> Petitioners' "MEMORANDUM IN OPPOSITION TO PLAINTIFF'S MOTION TO STRIKE DEFENDANTS' DEMAND FOR A JURY TRIAL" in the District Court, pp. 1-2 [R. p. 67].

Thus, the *substantive* claims of both parties here are *prospective* in character—not *retrospective*. In other words, the only true issue remaining between the parties concerns the consequences of *future* manufacture or sale by Bowles of the devices in question. The Shubins contend that Bowles threatens such manufacture and sale, and that this *will* infringe the patent *if* it occurs. Bowles contends that it will not, because, among other things, the patent is invalid.

Since the Shubins now admit that there has been no *past* infringement, the above-noted issue of the alleged threat of future infringement is all that can possibly remain to be litigated. Accordingly, the only possible remedies for the respective parties are either an injunction, or alternatively, a declaration that there

is no right to an injunction. Clearly, these are both matters of exclusively equitable cognizance. There is no legal issue here that can or, in law, should be presented to a jury.

Conclusions.

The Court of Appeals meticulously followed the mandate of this Honorable Court in its remand of the case for reconsideration in light of *Dairy Queen*, and correctly applied the principles of law enunciated therein.

The facts and pleadings of this case are clearly distinguishable from those in *Dairy Queen*, and show clearly that, contrary to the situation in that case, the claims at issue in the case at bar are cognizable *only in equity*. Thus, the trial court was correct in striking the jury demand, and the Court of Appeals was correct in denying a writ of mandamus.

There being no other matter presented by the present petition which is suitable for review by this Honorable Court, the petition for a writ of certiorari should be denied. Such denial is solicited.

Respectfully submitted,

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